NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
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CONTACT: Colleen Beamish
916.653.4052

Angelides and Finance Officials Urge Standard & Poor's 500 Index to Dump Offshore Companies
Investment Leaders from Across Nation Step Up Pressure on Expatriate Companies

SACRAMENTO, CA – California State Treasurer Phil Angelides today urged Standard & Poor's (S&P) to undertake a formal review to remove 10 offshore companies from the S&P 500 Index. Finance officials from nine other states, and leading national labor officials, today joined Angelides in requesting S&P to delete the companies – including six 'corporate expatriates' – from the prestigious stock index.

"We feel very strongly that corporations wanting all the benefits of operating in the U.S. without sharing in the responsibilities of American citizenship should not enjoy the privilege of the S&P 500 imprimatur," Treasurer Angelides said.

By nominally shifting their headquarters to offshore locales such as Bermuda or the Cayman Islands, a growing number of U.S. companies have sought to avoid paying taxes and to weaken shareholder protections. The practice of expatriation is part of a larger pattern of deception in the corporate boardroom that has led to a loss of investor confidence in the financial markets.

Companies that would be affected by the requested action are: Schlumberger, Carnival Corporation, Transocean, Inc., McDermott International, Noble Drilling Corporation, Cooper Industries, XL Capital Ltd., Ace Limited, Tyco International and Ingersoll-Rand.

Angelides sent a letter today to S&P in which he urged a formal review of the matter as soon as possible, with the goal of removal of the offshore companies. A separate letter in support of the push by Angelides and Connecticut Treasurer Denise Nappier was sent by other major institutional investors, including State Treasurers Dale McCormick (Maine); Shannon O'Brien (Massachusetts); Cynthia Lummis (Wyoming); Jonathan Miller (Kentucky); Mike Coffman (Colorado), Randall Edwards (Oregon), and Michael Fitzgerald (Iowa), and New York State Comptroller-elect Alan Hevesi. The AFL-CIO, the Union of Needletrades, Industrial and Textile Employees (UNITE), the Service Employees International Union, and the International Association of Machinists and Aerospace Workers are also weighing in with letters of support.

S&P describes the 500 Index as the "premier index for large cap U.S. stocks." "While expatriate companies listed on the S&P 500 Index seek to cloak themselves in red, white and blue, the reality is that they are not bona fide American companies – by their own choosing. This inconsistency undermines the veracity and integrity of the Index, at this critical time when those qualities are most needed in the financial marketplace," Angelides said.

In recent months, Angelides has taken a series of actions against corporate expatriates. In July, 2002, the California Treasurer's Office ceased doing business with, and investing in, expatriate corporations. This action rendered Ingersoll-Rand ineligible for investment by California's $50 billion fund managed by Angelides. Two weeks ago, at Angelides' urging, the $136 billion California Public Employees' Retirement System voted to spearhead shareholder resolutions seeking repatriation of McDermott, Tyco, and Ingersoll-Rand. Just yesterday, the $91 billion California State Teachers' Retirement System voted to back similar resolutions at Tyco and Ingersoll-Rand.

The focus on corporate expatriates is part of a larger effort by Angelides and other institutional investors to use their market strength – the power of the purse – to bring about greater accountability and integrity in the companies they own.

Attachments

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915 CAPITOL MALL, ROOM 110, SACRAMENTO, CA 95814 . (916) 653-2995 . FAX (916) 653-3125
www.treasurer.ca.gov

December 4, 2002

Mr. Leo C. O'Neill
President
Standard & Poor's
55 Water Street
New York, New York 10041

Dear Mr. O'Neill:

Thank you for meeting with us on September 19 to discuss whether offshore companies, including expatriate companies, should continue to be included in the S&P 500 Index. We appreciated the opportunity to hear your perspective and to offer you our views.

As you know, we wrote to you on September 10, 2002 (see attached letter), and expressed our opinion that the S&P 500 Index, which S&P describes as the "premier index for large cap U.S. stocks," should not include companies that have expatriated from the U.S. As explained in that letter, we believe that the inclusion of expatriate companies undermines the integrity and veracity of the Index.

Based on the September 19 meeting and our further analysis of the issues raised, I remain convinced that non-U.S. companies should be deleted from the S&P 500 Index. I am further convinced that U.S. incorporation is the most sensible and objective standard for determining a company's nationality. Accordingly, I am requesting that you conduct a formal review of this matter, with the goal of removing from the S&P 500 Index all companies that are not incorporated in the U.S.

It is clear from our conversation that companies incorporate offshore for a variety of reasons. These reasons include, for example, avoidance of U.S. taxes, weakening of shareholder rights, as well as a variety of operational and regulatory factors. You indicated that S&P does not wish to distinguish among the reasons a company incorporates offshore because those decisions could be construed as tax or other public policy positions. By using U.S. incorporation as an objective threshold requirement for inclusion in the Index, however, you would in fact not be making decisions about the validity of a company's reasons for offshore incorporation. On the contrary, by doing anything other than using this objective standard, you are tacitly taking a position that it is appropriate for U.S. companies who expatriate for tax and other reasons to continue to obtain the benefits of U.S. corporate citizenship.

On July 9, 2002, S&P announced its intent to remove non-U.S. companies from the Index, although it decided to retain U.S. corporations that undergo paper relocations to offshore tax havens. Our review of several companies that are currently in the S&P 500 Index but that are not incorporated in the U.S. reveals that the subjectivity inherent in your current process results in troubling inconsistencies. (For specific examples, see attached memorandum dated November 22, 2002.)

Our review indicates that, even putting aside the incorporation factor, several companies do not meet your criteria for establishing U.S. "nationality." For example, companies included in the Index report that as much as 82 percent of their assets are located offshore. Several of these companies trade on multiple exchanges. Most of the companies operate globally, with one company operating from headquarters in three different countries. In fact, it appears that some companies would not be in the Index absent the fact that their genesis might have been in the U.S.

Pertinent annual reports reflect that the companies themselves do not consider themselves to be U.S. companies. (Again, see attached memorandum for detail.) And, of course, the Internal Revenue Service also recognizes the change in status from domestic to foreign as a result of offshore relocation.

Finally, you raised the concern that if these companies were to be eliminated from the S&P 500 Index, they might not be included in any index. As I have previously noted, it is our understanding that the Index is designed as a tool for investors and not as a benefit for companies. Furthermore, this seems to be a problem that is within S&P's power to resolve. By way of example, you have already created the Global 100 (in which you have placed Tyco International) and the Global 1200 indices. It appears, therefore, that you could resolve this problem without undermining the integrity of the S&P 500 Index.

Based on the above, as well as for the reasons stated in my September letter, I urge you to formally review the issue of requiring U.S. incorporation as a threshold for companies' inclusion in the S&P 500 Index. When we met in September, you indicated that during your review of foreign company inclusion in the Index, which preceded the July 9 announcement, institutional investors had not raised the expatriation issue as one of significant concern. Since then, however, circumstances have changed dramatically.

In the wake of recent corporate scandals and misconduct that have shaken the integrity of our financial markets, there has been intense public scrutiny of this matter. This scrutiny has led to IRS action, congressional consideration of sanctions, and state actions. For example, the California State Treasurer's Office has banned investments in, and business dealings with, expatriates, and North Carolina has legislated a ban on contracts with such companies. The recent congressional action creating the Department of Homeland Security included a commitment to bar expatriate corporations from contracting with this new agency. In addition, there is growing momentum among institutional investors to stem the practice of expatriation. For example, the California Public Employees' Retirement System (CalPERS) has just voted to join AFSCME in filing shareholder resolutions that seek the reincorporation of several expatriate companies.

Thank you again for our September meeting and for your consideration of our request. I look forward to hearing from you. Please call me at (916) 653-2795 if you wish to discuss this matter.

Sincerely,

Phil Angelides
State Treasurer

Attachments

Honorable Mike Coffman
Colorado State Treasurer

Honorable Michael Fitzgerald
Iowa State Treasurer

Honorable Jonathan Miller
Kentucky State Treasurer

Honorable Dale McCormick
Maine State Treasurer

Honorable Shannon O'Brien
Massachusetts State Treasurer

Honorable Alan G. Hevesi
New York State Comptroller-elect

Honorable Randall Edwards
Oregon State Treasurer

Honorable Cynthia M. Lummis
Wyoming State Treasurer

December 4, 2002

Mr. Leo C. O'Neill
President
Standard & Poor's
55 Water Street
New York, New York 10041

Dear Mr. O'Neill:

As institutional investors and guardians of taxpayer and pension funds, we have been deeply troubled by the recent revelations of widespread corporate misconduct and the effect of such malfeasance on our financial markets. We are committed to using our power as major shareholders to restore integrity and accountability to corporate America and to renew faith in the marketplace.

In this regard, we have received and reviewed California Treasurer Phil Angelides' September 10, 2002 letter to you, in which he requested that you eliminate expatriate U.S. companies from the Standard & Poor's (S&P) 500 Index. We are also aware that Treasurer Angelides has met with you to discuss this issue in more detail, and that Connecticut Treasurer Denise Nappier has also raised concerns about the matter.

The issue of expatriation is of significant concern to us. As investors, we are alarmed at the increasing number of U.S. corporations expatriating to offshore tax havens. These paper relocations not only allow companies to avoid paying their fair share of taxes, but they also result in a significant weakening of important shareholder rights. This practice is part of a larger pattern of deception that has shaken our financial markets.

As institutional investors, we have grave concerns with S&P's practice of including -- in its S&P 500 Index, which the S&P itself describes as "an index of large cap U.S. stocks" -- U.S. companies that have expatriated. We believe that your practice is contrary to the stated intent of the index, ignores core standards of accountability and transparency, and undermines the integrity and veracity of the S&P 500. In this regard, we note that the Frank Russell Company does, in fact, consider incorporation in the U.S. as a threshold requirement for inclusion in its U.S. indices.

We, the Treasurers of Colorado, Iowa, Kentucky, Maine, Massachusetts, Oregon, and Wyoming and the New York State Comptroller-elect join with Treasurers Angelides and Nappier in strongly urging you to eliminate expatriate U.S. companies from the S&P 500. In that vein, we hope that Standard & Poor's will commence a formal review of this matter as soon as possible.

Thank you for your consideration.

Sincerely,

Mike Coffman
Colorado State Treasurer

Michael Fitzgerald
Iowa State Treasurer

Jonathan Miller
Kentucky State Treasurer

Dale McCormick
Maine State Treasurer

Shannon O'Brien
Massachusetts State Treasurer

Alan G. Hevesi
New York State Comptroller-elect

Randall Edwards
Oregon State Treasurer

Cynthia M. Lummis
Wyoming State Treasurer

cc: Phil Angelides, California State Treasurer
Denise Nappier, Connecticut State Treasurer